
Evaluation of VA Pension and Parents' DIC Programs

PARENTS' DIC PROGRAM FINAL REPORT

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INTRODUCTION

The Parents' Dependency and Indemnity Compensation (DIC) program was established in 1956 under Public Law 84-811 as a need-based income support program for the surviving parents of veterans who died in service or after service as a result of service-connected disabilities. The payment of compensation is based on the theory that the veteran's death not only results in a personal tragedy due to the loss of a child, but also the loss of income support to the veteran's parents during the following phases of the parents' lives:

- ◆ The parents' working years due to poor economic conditions or their inability to work
- ◆ The parents' elderly years when they no longer earn an income.

To be eligible for Parents' DIC, parents must meet countable family income (CFI) limits. There are no net worth requirements for this program.

The number of surviving parents receiving Parents' DIC benefits in Fiscal Year (FY) 2002 is 9,384 for an annualized total of \$22,076,330 in benefits. The average annual amount of benefits is \$2,353¹ per parent.

STUDY PURPOSE

The purpose of this study is to conduct an objective third-party evaluation of the efficiency and effectiveness of the Parents' DIC program. The evaluation determines the extent to which the program meets the following criteria:

- ◆ Statutory intent
- ◆ Intended outcomes
- ◆ The expectations of parents, legislators, program officials, and other stakeholders.

The evaluation also—

- ◆ Assesses the impact of statutes, regulations, and significant court decisions and operations on achieving desired program results
- ◆ Assesses the current program outcomes and outcome measures, and recommends revision, if necessary
- ◆ Identifies and reports on the interrelationship of the Parents' DIC program with other income support programs available
- ◆ Examines other pertinent issues related to the Parents' DIC program.

¹ This study includes a survey of parents who participated in the program as of June 2002. At that time, average annual benefits were \$2,248 for the nationally representative survey sample. VA encourages participants to submit medical expenses at the end of the year, increasing benefit levels at that time.

STUDY METHODS

The Department of Veterans Affairs (VA) 's Office of Policy, Planning and Preparedness contracted with ORC Macro as the prime contractor for the study, with support from two subcontractors—Economic Systems Inc. and the Hay Group. The evaluation used a multimethod approach including stakeholder consultations; literature reviews of legislation, regulations, and court cases; analyses of administrative data; forecasting using multiple data sets; reviews of other assistance programs; analyses of related survey and administrative records; and a computer-assisted telephone survey of 1,237 parents participating in the Parents' DIC program as of June 2002.

STUDY FINDINGS

Unless otherwise noted, the study findings concerning percentages of parents are based on the survey results.

1. Outcomes and outcome measures

VA established the following single outcome for the Parents' DIC program:

- ◆ Parents' DIC payments bring a measure of security to low-income parents of veterans whose deaths were related to military service.

Our review of the legislative history of the Parents' DIC program indicates that it is intended to help surviving parents maintain a reasonable standard of living by supplementing other sources of income. However, the legislation for the Parents' DIC program does not provide a specific standard, such as meeting or exceeding the poverty line.²

2. Parents' DIC in lieu of support provided by veterans

This program is predicated on the assumption that parents would have received support in their later years from the veteran if he or she were alive. Nearly half (48%) of parents report that they received financial support from the deceased veteran when he or she was alive. This is significant because it indicates that parents were in need before they reached their elder years and that their veteran child was providing financial support. Parents who can recall the contribution of the veteran state that it was an average of \$2,569 per year, which is close to the average annual DIC payment in 2002 for surveyed parents: \$2,248. However, since parents have received DIC benefits for an average of 13.6 years, the value of the DIC benefit is far lower than the support received from the deceased veteran due to inflation, assuming that the average income reported holds for all parents who received support.

² The poverty line is based on the Department of Health and Human Services Poverty Guidelines. For families in the U.S. mainland, the poverty line in 2002 is \$8,860 + \$3,080 for each additional family member. For families in Alaska, the 2002 poverty line is \$11,080 + \$3,850 for each additional family member. For families in Hawaii, the 2002 poverty line is \$10,020 + \$3,540 for each additional family member.

3. Access, participation, and nonparticipation

Parents learn of the Parents' DIC program primarily from VA. Veteran Service Organizations are the second most frequent source of information for the program. Program participation declined from 9,384 in 2002 to 8,803 in 2003; the number of participants is expected to decline further, given the low level of new enrollments. We estimate that only about 8 percent of eligible parents participate. Nearly one-third of the participants were eligible for 6.4 years before they applied and began receiving benefits. The most commonly cited reason for the delay is lack of awareness—nearly half of the individuals who applied years after they were first eligible state that they were not aware of the program. This group comprises 15 percent of all parents surveyed.

4. Parents' profile

The profile of Parents' DIC participants indicates that most beneficiaries are White women in their mid-to-late seventies who have been widowed for some time and are not highly educated. Close to half of the parents received financial support from their deceased veteran son or daughter before his or her death. The majority of parents interviewed (65%) are widowed for an average of 22 years. Parents are also in fair to poor health, suffering from an average of four serious health problems concurrently. Two-thirds of all the parents surveyed (67%) have a physical limitation that impacts their activities of daily living. Half (50%) of all the parents surveyed require assistance to cope with physical limitations, including needs for daily assistance in completing tasks that contribute to managing their self-sufficiency and independence. A majority of parents live by themselves, and those who live with other people have adult children who are not in school and have grandchildren residing with them. Almost 60 percent of the parents live in a house, and 48 percent are homeowners.

Parents have health care coverage primarily through Medicare and use health care services. A small minority of parents (4.2%) have no health care coverage, and less than 1 percent report that they do not use any health care services because they cannot afford it. The remaining parents visit emergency rooms, pay out of pocket, or use public health clinics. Parents' DIC participants use the following primary health care services: doctor visits, prescription medicines, eye exams or glasses, and laboratory tests. The least used types of care include dental care, home health aides, and visiting nurses.

Given their age, most DIC parents are not employed. Among the 10 percent of participants who are under age 65 and are not employed, health and disabilities are the reasons cited most often for unemployment (78%). Most parents do not receive benefits from other Federal need-based, means-tested programs. About one-third of the parents receive assistance from Federal means-tested programs, even though income levels would qualify most of the parents for this type of assistance.

5. Parents' assets, expenses, and debt

The results of the Parents' DIC survey show that parents have few assets beside their home (38%) and vehicles (16%). Most parents (56%) do not own a home or have any other assets valued over \$1,000. Only 2 percent state that they have investments, although 17 percent report some type of savings that they can use to pay for living expenses. The average amount of savings among these parents is \$3,003. Less than 1 percent of the parents have land that they can potentially use for income. Among those parents, many say that the land is not productive.

Parents were asked to report their three largest living expenses. Respondents most often list utilities, food, housing, health care, and taxes as their largest living expenses. Those who list these expenses pay

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the most for housing (\$3,345) and for medical care (\$2,495). The primary income source among parents is Social Security, with 83 percent of parents receiving Social Security. Social Security and Parents' DIC are the sources that parents primarily use to pay for expenses. A substantial minority of parents do not meet their living expenses through these resources—they cut back, do without, or rely on family or friends to obtain basic necessities. One-fourth of parents receive financial assistance from someone else to help them meet their living expenses. In most instances, an adult child provides the financial assistance. This assistance helps parents pay for food, utilities, and housing.

Two-thirds of parents have no debt, and one-third of parents are using their income to pay off debt and cover current living expenses. Parents have debts from credit cards, unpaid health care expenses, car loans, personal loans, and mortgages. The average debt among those with debt is \$9,158. Debt is inversely related to age—younger parents have more debt and older parents have less debt. One-fourth of all parents say that they indebted themselves to pay for living expenses.

Parents have few resources, beyond their Social Security and DIC incomes, to pay for routine living expenses and unexpected needs.

6. Parents' income

The primary source of income for parents who receive DIC benefits is Social Security. Most parents (83%) receive income from Social Security, which comprises 69 percent of their income. The next largest source of income for parents is the Parents' DIC program. The average total income for parents is \$7,926. Although they are likely to be eligible for other Federal assistance programs, fewer than half (41%) of parents receive assistance from other Federal need-based programs.

In comparing the Parents' DIC participants with the general elderly means-tested population who receive assistance from Federal programs, DIC parents are worse off. Fewer DIC parents receive other Federal benefits, more are at or below the poverty line, and have lower total incomes. In addition, DIC parents are less likely to have earned income and other retirement income than the general means-tested population.

The amount of Parents' DIC benefits that participants receive is driven by the program's eligibility formula. The characteristics of recipients receiving lower amounts of DIC benefits include being married, male, healthy, White, older, having an asset worth more than \$1,000, and having debts. Parents who received financial support from the veteran when he or she was alive receive higher DIC benefits. (Appendix A contains a detailed description of the multivariate methodology and the levels of statistical significance obtained.)

Comparing the survey results with administrative records, 38 percent of parents have unreimbursed medical expenses (UMEs), but only 26 percent reported them to VA in the first 6 months of 2002. Parents who do not report UMEs receive \$1,396 less than those who do. The timing of the survey and the administrative files may artificially inflate this impact, but at a minimum, the policy of submitting UMEs at the end of the year is financially burdensome to parents and may result in UMEs not being submitted at all.

The Parents' DIC program provides a stable source of income and thus can be expected to provide some financial security to program participants. Most parents receive the benefit continuously after enrolling, and the benefit level remains stable.

7. How program operations affect outcomes

VA's outreach activities primarily target veterans and secondarily surviving spouses and dependents. No specific outreach is identified for Parents' DIC, nor do VA's outreach procedures target the profile of the current Parents' DIC participants—low-income elderly widows. Hence, the current outreach procedures of the Parents' DIC program are not effective.

Once an applicant is found eligible for the Parents' DIC program, VA has good procedures and processes to provide relevant information about the program, verify overpayment amount, or deny benefits to ineligible.

Some specific program information is not relayed effectively to the applicants and participants. Examples of areas for improvement include the following:

- ◆ Lack of clarity in conveying what can be included or deducted from total household income to determine eligibility and the benefit amount. This may result in some applicants not receiving the income support to which they are entitled and applicants deciding not to apply for Parents' DIC benefits due to assumptions that their incomes are too high.
- ◆ Inconsistent specificity in the initial application and the annual Eligibility Verification Report (EVR) may lead to some inappropriate denials and some benefit overpayments.
- ◆ No request for information about eligibility for aid and attendance benefits in the EVR. This information is only requested on the initial application. As parents age, their needs are likely to change and they may qualify for aid and attendance, but they may not seek the benefit because the EVR does not inform them of its existence.
- ◆ The narrative in the EVR form, under "Family Medical Expenses," states the following: "If you are using this form as a supplement to a pending claim, you do not need to report medical expenses. If the entitlement is established, you will have an opportunity to report your medical expenses at the end of the year." Considering that Parents' DIC participants are low-income and do not have the financial capacity to carry medical expenses until the end of the year, we suggest that VA policy allow parents to submit medical expenses as they are incurred, rather than waiting until the end of the year.

8. Parents' needs

Parents report limited or nonexistent financial security, despite receiving the DIC benefit. Parent beneficiaries believe that their Parents' DIC benefit provides either moderate or little financial security. Even among the largest award beneficiaries, less than half view the benefit as providing a strong sense of security.

Only 41 percent of the parents surveyed can afford only the basic necessities, having little or no money for other expenses, while 20 percent indicate that their lifestyle is defined by having to make sacrifices and cut back on necessities. Of the parents surveyed, 30 percent indicate that they experienced either difficulty paying for or had not been able to pay for various living expenses during the past 12 months.

The analysis indicates that many parents experience a constant shortage of financial resources for basic living expenses such as utilities, food, clothing, and basic health care. Depending on the necessity, one-third to more than one-half of the parents are in an ongoing search for a means to stretch their

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resources due to monthly income shortfall. Almost three-fourths of parents devise strategies to cut basic necessities—food, shelter, utilities, health care—to a minimum or not to obtain them at all.

The financial security of some parents is so fragile that their lifestyle moves between a series of strategies to stretch their resources when their money runs out, something that 44 percent of the parents experienced at least once during the past 12 months. Among those who previously relied on the support of a veteran, 55 percent had to cut back on paying for living expenses at least once during the past year. These strategies center on living expenses that parents have a difficult time covering, such as food, utilities, shelter, and health care.

Food-related strategies are the strategies DIC parents use most often to make ends meet until they receive their next monthly check. More than half of the parents surveyed (56%) sacrifice their nutrition and perhaps long-term health on a more frequent basis to have money to pay for other basic necessities. Food-related strategies include eating inexpensive foods instead of balanced meals, cutting the size of meals, and other strategies. Parents indicate that buying food is the second thing (after buying clothing and shoes) they would do if they had more money.

Parents cut back on basic health care to conserve money or do not obtain health care when their financial resources are depleted. Thirty-seven percent of the parents use health care-related strategies to compensate for not having enough money to cover basic living expenses. These strategies include using samples instead of buying prescriptions, not taking full dosages and not getting prescriptions filled. Lack of funds for health care is a serious concern for DIC parents. They are afflicted with an average of four major health problems and have physical limitations that impact their activities of daily living and quality of life.

Some parents cannot afford to pay for heating and cooling. About 16 percent report that they cut back on heating and cooling because they do not have enough money to pay for these expenses. Other indications of financial difficulty include nearly one-fourth of the parents not buying new clothing and shoes, staying at home due to unaffordable travel expenses, and indebtedness to family and friends for expenses. Twelve percent use credit cards to pay for living expenses and then make the minimum payment, thereby incurring greater debt.

DIC parents are not just cutting out food or limiting health care. A number of strategies are used concurrently as parents try to pay for living costs when their DIC benefit (as well as other financial resources) run out before the end of the month. The parents who previously relied on the support of a veteran before that child's death (nearly one-half of those surveyed) are more financially stressed, and a higher percentage of this group use these strategies to make ends meet.

9. Parents' satisfaction

Most parents are proud to be the parent of a veteran and believe that the Parents' DIC program provides recognition for the loss of their child.

Overall satisfaction for Parents' DIC is between somewhat satisfied and satisfied, 4.29 on a scale of 1 to 6. Average scores are generally below 5 (satisfied). Highest satisfaction scores are as follows: for VA staff (4.91), the application process overall (4.72), and sending in information (4.59). Treatment of UMEs (4.33) and overall service experience (4.29) are scored as somewhat satisfied. Lowest satisfaction ratings are between somewhat dissatisfied and somewhat satisfied for the amount of benefits received

(3.57) and counting the income of spouses (3.97). These ratings present a mixed picture of satisfaction. All of the ratings, except for two, are above 4.0, indicating some satisfaction with the program.

In reviewing respondent characteristics contributing to satisfaction and dissatisfaction, older parents and male parents are less satisfied; White parents and parents with lower education levels are more satisfied. The attributes that are most important in explaining the overall satisfaction rating are the amount of the benefit and counting of spouse's income. Although customer satisfaction of parents with VA staff and the application process score high, they are not the major drivers of customer satisfaction. The attributes that contribute the least to overall satisfaction are the application process, the VA staff, and the requirement of sending in information. To improve satisfaction, Congress would have to increase the benefit amount and not count spousal income. VA's methods for processing the applications, staff interactions, and information requirements do not significantly affect satisfaction, so VA does not need to improve these areas to increase satisfaction.

CONCLUSIONS

The following conclusions are drawn from the study findings:

- ◆ The Parents' DIC program is meeting the only outcome established by VA—the program is providing a “measure” of security to Parents' DIC participants. It provides about one-third of their income.
- ◆ The Parents' DIC program is meeting the Congressional intent by adding an additional financial resource to Social Security to provide income to parents. However, the Parents' DIC program is not meeting the Congressional intent of providing “reasonable maintenance” because it does not provide sufficient income, in combination with other sources, to meet the basic living expenses of DIC parents. Most participants (79%) are at or below the poverty line, and 56 percent use a variety of strategies to make ends meet. Unmet needs include clothing, food, heat, transportation, and health care.
- ◆ The Parents' DIC program is not meeting program goals because too few (8%) eligible participants are being served. VA needs to improve its outreach to parents.
- ◆ The Parents' DIC program is consistent with Congress's assumption that veterans would have provided for their parents in time of financial need. Close to one-half (49%) of the parents report that their veteran son or daughter provided financial support to them before his or her death. These veterans provided financial support before parents reached retirement age (65); veterans who died when their parents were younger are not available to provide financial support during their parents' old age.
- ◆ VA operates the program so that administrative processes generally support program goals and desired outcomes. Areas where VA can improve are outreach, information provided on initial applications, adding aid and attendance to the EVR, and continuous processing of medical expenses.
- ◆ The Parents' DIC program is meeting Congressional intent in that it does not displace work. Only 10 percent of parents are under age 65; most of the younger parents who do not work are not working due to health problems.

RECOMMENDATIONS

The following recommendations are offered to improve the Parents' DIC program:

- ◆ Congressional intent for this program needs to be established as a specific level of income rather than “reasonable maintenance.” Congressional intent also needs to be clarified concerning whether Congress expects DIC parents to seek welfare as an income source or whether DIC is provided instead of welfare assistance.
- ◆ Given the study result that 79 percent of the parents are at or below the poverty line,³ Congress should consider increasing the DIC benefit to at least the poverty line or to some other level defined as “reasonable maintenance.”
- ◆ VA should improve its outreach so that all parents who are entitled to Parents' DIC receive the benefit.
- ◆ VA should make minor improvements to its application to clarify income reporting requirements.
- ◆ VA should encourage parents to submit medical expenses throughout the year instead of its current policy of asking needy parents to accumulate UMEs at the end of the year.

³ The Department of Health and Human Services (HHS) poverty guidelines are a simplified version of the Federal Government's statistical poverty thresholds used by the U.S. Census Bureau to prepare its statistical estimates of the number of persons and families in poverty. The poverty guidelines issued by HHS are used for administrative purposes—for instance, for determining whether a person or family is financially eligible for assistance or services under a particular Federal program. Many Federal programs use a percentage multiple of the HHS poverty guidelines to determine program eligibility (for example, 125% or 185% of the guideline). Separate guidelines are prepared for the 48 contiguous States, Alaska, and Hawaii. In 2002, the Federal poverty guideline for a single individual in the 48 contiguous States was \$8,860. Each additional household member adds \$3,080 to the guideline.